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DEPARTMENT OF AUDITOR-CONTROLLER**

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August 21, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *JTM*
Auditor-Controller

SUBJECT: **ASC TREATMENT GROUP dba ANNE SIPPI CLINIC CONTRACT
COMPLIANCE REVIEW – A DEPARTMENT OF MENTAL HEALTH
SERVICE PROVIDER**

We have completed a contract compliance review of ASC Treatment Group dba Anne Sippi Clinic (ASC or Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with ASC, a private for-profit community-based organization, which provides services to clients in Service Planning Area 4. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the First District.

Our review focused on approved Medi-Cal billings. DMH paid ASC between \$2.44 and \$3.63 per minute of staff time (\$146.40 to \$217.80 per hour). ASC's contract was for approximately \$955,000 for Fiscal Year 2005-06.

Purpose/Methodology

The purpose of the review was to determine whether ASC provided the services outlined in their contract with the County. We also evaluated whether the Agency achieved planned service levels. Our monitoring visit included reviewing a sample of ASC's accounting records and documentation to support the Agency's compliance with

"To Enrich Lives Through Effective and Caring Service"

the fiscal requirements of its DMH contract. We also selected a sample of billings, client charts, and personnel and payroll records to review ASC's compliance with DMH program requirements. In addition, we interviewed staff from ASC and a sample of clients or their parents/guardians.

Results of Review

Generally, ASC appropriately billed DMH for the services provided and the participants interviewed stated that the services they received met their expectations. However, ASC did not always comply with the provisions of the DMH contract. For example:

- ASC did not maintain documentation to support 10 (67%) of the 15 expenditures sampled. The undocumented amount totaled \$9,682.
- The Agency has not had their financial records audited for two years. Without audited financial statements, DMH cannot accurately determine the financial viability of the Agency or the Agency's ability to repay a cash advance loan of approximately \$224,000 that they received this fiscal year.
- The Agency did not always complete Progress Notes and Client Care Plans in accordance with the County Contract.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with ASC on June 18, 2007. In their attached response, the Agency generally agreed with the results of our review and described their corrective actions to address the findings and recommendations contained in the report.

We thank ASC management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Chess Brodnick, Co-Owner, ASC Treatment Group
Michael Rosberg, Co-Owner, ASC Treatment Group
Public Information Office
Audit Committee

**CONTRACT COMPLIANCE REVIEW
ASC TREATMENT GROUP dba ANNE SIPPI CLINIC
FISCAL YEAR 2005-2006**

BILLED SERVICES

Objective

Determine whether ASC Treatment Group dba Anne Sippi Clinic (ASC) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 30 billings totaling 1,424 minutes from 32,691 service minutes of approved Medi-Cal billings to DMH for February and March 2006. We reviewed the Progress Notes, Assessments and Client Care Plans maintained in the clients' charts for the selected billings. The 1,424 minutes represented services provided to 18 program participants.

Results

ASC maintained Progress Notes to support the minutes billed for 29 of the 30 billings sampled. However, the Agency did not complete 11 (37%) of the 29 Progress Notes in accordance with the County contract. Specifically:

- Three (10%) of the 29 Progress Notes did not describe what the client or service staff attempted and/or accomplished towards the clients' goals.
- Eight (28%) of the 29 Progress Notes did not contain procedure codes to identify the types of services provided.

Client Care Plans

ASC did not fully complete Client Care Plans for four (22%) of the 18 clients sampled in accordance with the County contract. The Client Care Plan establishes goals and interventions to address the mental health issues identified in the client's Assessment. Specifically:

- Four Client Care Plans were not signed by the client or parent/guardian indicating their participation in the development of the Client Care Plan as required by the contract.
- One Client Care Plan did not contain observable and/or quantifiable goals.

The number of findings on the Client Care Plan cited above exceeds the total number of incomplete Client Care Plans because some of the Client Care Plans contained more than one deficiency.

Recommendation

1. **ASC management ensure that Client Care Plans and Progress Notes are completed in accordance with the County contract.**

CLIENT VERIFICATION**Objective**

Determine whether clients received the services that ASC billed DMH.

Verification

We interviewed eight participants that the Agency billed DMH for services during February and March 2006.

Results

The eight program participants interviewed stated that the services they received from the Agency met their expectations.

Recommendation

There are no recommendations for this section.

STAFFING LEVEL**Objective**

Determine whether the Agency maintained the appropriate staff to client ratios for applicable services.

We did not perform test work in this section as the Agency did not provide services that require staffing ratios for this particular funding program.

STAFF QUALIFICATIONS**Objective**

Determine whether ASC treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 13 of 26 ASC treatment staff for documentation to support their qualifications.

Results

Twelve (92%) of the 13 employees sampled possessed the qualifications required to deliver the services billed. One staff provided Mental Health Services without a co-signer or two years experience delivering mental health services as required by the contract.

Recommendation

2. **ASC management ensure that staff meet the minimum requirements to provide the services billed.**

SERVICE LEVELS**Objective**

Determine whether ASC's reported service levels varied significantly from the service levels identified in the DMH contract.

Verification

We obtained the Fiscal Year (FY) 2005-06 Cost Report submitted to DMH by ASC and compared the dollar amount and billed units of service to the contracted units of service identified in the contract for the same period.

Results

Overall, ASC did not significantly deviate from contracted service levels. We determined that the Agency shifted its contracted service levels without prior written authorization from DMH as required. For example, the Agency's Cost Report indicated that within specific service categories the Agency did not provide 14,400 units of Targeted Case Management services. The Agency also exceeded its contract service level for MHS by 71,000 units.

Recommendation

3. **ASC management obtain written authorization from DMH prior to deviating from contracted service levels.**

FINANCIAL REPORTS**Objective**

Determine whether ASC has undergone an annual audit of its financial records.

Verification

We interviewed ASC management and reviewed the Agency's financial reports.

Results

ASC has not undergone a financial audit since FY 2003-04. ASC management acknowledged that they need to have their financial records audited and explained that they are working with their Certified Public Accountant to ensure that the audits are completed.

DMH reported that ASC received a cash advance loan this fiscal year for approximately \$224,000. Without audited financial statements, DMH cannot accurately evaluate the financial viability of the Agency or the ability of the Agency to repay the cash advance loan.

Recommendation

4. ASC management ensure that their financial statements are audited annually.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. Determine whether there are adequate controls over cash.

Verification

We interviewed ASC management and reviewed the Agency's accounting records. We also reviewed the Agency's June 2006 bank reconciliation for their three bank accounts.

Results

ASC properly recorded and deposited cash receipts timely. However, the June 2006 reconciliations contained the following deficiencies:

- Two bank account reconciliations contained 13 checks totaling \$3,781 that were outstanding more than one year.
- The general ledger balance on one bank account reconciliation did not agree to the amount reported in the Agency's accounting records, resulting in an unreconciled difference of \$4,363. Management indicated that the general ledger misstated the ending monthly balances because the bookkeeper retroactively voided some checks.
- Reconciliations were not initialed by the preparer and the reviewer.
- Reconciliations were not prepared by someone independent of cash handling responsibilities.

Recommendations

ASC management:

5. **Ensure that bank account reconciliations are properly prepared and reconciling items are cleared in a timely manner.**
6. **Ensure that all financial transactions are recorded chronologically in the Agency's accounting records.**
7. **Ensure that bank reconciliations are signed by the preparer and reviewed and approved by a manager that does not have cash handling responsibilities.**

EXPENDITURES

Objective

Determine whether the expenditures were appropriate and allowable under regulations governing the contract and are properly documented.

Verification

We reviewed ASC's accounting records and supporting documentation for 15 expenditures charged to the DMH program totaling \$12,649.

Results

ASC did not maintain documentation to support 10 (67%) of the 15 transactions sampled. The undocumented transactions totaled \$9,682. Specifically,

- The Agency did not maintain documentation to support seven expenditures totaling \$5,724.
- Three expenditures totaling \$3,958 were supported by a copy of the invoice rather than the original invoice as required.

In addition, we identified the following internal control weaknesses:

- ASC paid the expenditures in our sample without matching the requisition, original invoice and receiving documents.
- ASC did not stamp "PAID" on the original invoice to prevent duplicate payment.
- ASC management did not pre-approve expenditures using a requisition.

Recommendations

ASC management:

8. **Maintain original invoices to support program expenditures.**
9. **Repay DMH \$9,682 for undocumented expenditures identified in our report.**
10. **Ensure that a three-way match of the requisition, original invoice and receiving documents is performed prior to payment.**
11. **Require that invoices are marked "paid" to prevent duplicate payments.**
12. **Ensure that expenditures are pre-approved by management using a requisition.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether fixed assets and equipment charged to DMH were used for the mental health program and were safeguarded.

Verification

We interviewed staff and reviewed the Agency's list of fixed assets and equipment. The Agency billed DMH \$6,088 for purchases and leases of fixed assets and equipment for FY 2005-06.

Results

ASC did not maintain a listing of the Agency's fixed assets and equipment, as required. A proper listing would include the assigned individual, an item description, serial number or unique identifier, acquisition cost, sources of funding and the program(s) where the asset is used.

Recommendation

13. **ASC management maintain a listing of the Agency's fixed assets and equipment including assigned individual, an item description, serial number or unique identifier, acquisition cost, sources of funding and the program(s) where the asset is used.**

COST ALLOCATION PLAN**Objective**

Determine whether ASC's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program costs.

Verification

We reviewed the Agency's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency to ensure that the expenditures were properly allocated to the DMH program.

Results

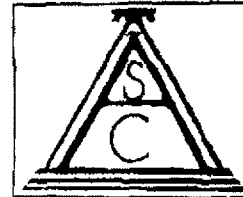
ASC's did not maintain a Cost Allocation Plan that appropriately allocates shared program costs. ASC management indicated that the Agency allocated administrative costs equally over five programs for FY 2005-06, even though some programs may have benefited more from those costs.

Recommendations**ASC management:**

14. **Develop a detailed and equitable Cost Allocation Plan.**
15. **Review FY 2004-05 and 2005-06 costs charged to DMH programs to ensure all costs were appropriately allocated and resolve any billing discrepancies with DMH.**

16. Allocate costs to each program on a monthly basis in accordance with the detailed Cost Allocation Plan.

THE
ANNE SIPPI
CLINIC
A Social
Rehabilitation
Facility



www.achizaphron@therapy.com

Jack Rosberg, M.A.
Clinic Director
Emeritus

Chapa Brodnick, Ph.D.
Treatment Director

Michael Rosberg, Ph.D.
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July 24, 2007

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Los Angeles, California 90012-2706

**SUBJECT: ASC TREATMENT GROUP dba ANNE SIPPI CLINIC
CONTRACT COMPLIANCE REVIEW – MENTAL HEALTH SERVICES
PROVIDER**

Dear: J. Tyler McCauley, Auditor Controller,

Here is our formal response to the recommendations from the compliance review.

- 1) ASC management to ensure that Client Care Plans and Progress Notes are completed in accordance with the County Contract.
 - A. Will conduct Staff training during the month of August to ensure that goals are measurable/quantifiable and indicates what was attempted and/ or accomplished.
 - B. Will develop tracking system and conduct quality review checks to ensure that all signatures and information is complete. Tracking system will include a check off list for all items that need to be completed by service provider. Items will then be reviewed a second time by quality assurance person. In addition, all charts will be reviewed once per quarter.
 - C. Efforts made in obtaining signatures will be documented in the chart.
- 2) ASC management ensure that staff meet the minimum requirements to provide the services billed.
 - A. Will review requirement for co-signatures for interns.
 - B. Will conduct quality review checks to ensure information is accurate.

Continued: ASC TREATMENT GROUP dba ANNE SIPPI CLINIC CONTRACT
COMPLIANCE REVIEW – MENTAL HEALTH SERVICES PROVIDER

- 3) ASC management obtain written authorization form DMH prior to deviating from contracted services.
 - A. Will monitor service level categories.
 - B. If there is a need for an exceeded amount in service categories will request prior written authorization.
 - C. Recently hired designated Case Manager to provide TCMS.
- 4) ASC management to ensure that their financial statements are audited annually.
 - A. Our financials are being audited on an annual basis. Fiscal 2004 – 2005 is expected to be completed by 07/31/07 by Oscar Armijo, CPA.
- 5) Ensure that bank account reconciliations are properly prepared and reconciling items are cleared in a timely manner.
 - A. We have instituted a new policy whereby outstanding items over 180 days old are investigated and cleared from the reconciliations.
- 6) Ensure that all financial transactions are recorded chronologically in the Agency's accounting records.
 - A. Any old checks to be voided will now be credited instead of voided. That will hopefully ensure that this situation does not arise again.
- 7) Ensure that bank reconciliations are signed by the preparer, and reviewed and approved by a manger that does not have cash handling responsibilities.
 - A. Bank reconciliations are now being signed by the preparer, and reviewed by Eric Steinwald, CPA.
- 8) Maintain original invoices/receipts to support program expenditures.
 - A. We will continue to make sure that original invoices and receipts are maintained to support expenditures.

Continued: ASC TREATMENT GROUP dba ANNE SIPPY CLINIC CONTRACT
COMPLIANCE REVIEW – MENTAL HEALTH SERVICES PROVIDER

- 9) Repay the DMH \$9,682 for undocumented and unallowable expenses identified in our report.
 - A. We request that the invoice copies be allowed as backup documentation for the related expenses of \$3,958.00.
- 10) Ensure that a three-way match of the requisition, original invoice and documentation to support the receipt of goods/services is performed prior to payment.
 - A. We have implemented a system which will keep a tighter control on accounts payable items and disbursements.
- 11) Require that invoices or receipts are marked "paid" to prevent duplicate payments.
 - A. Invoices are being stamped as "PAID" when they are paid.
- 12) Ensure that expenditures are pre-approved by management using a requisition.
 - A. Expenditures are approved by management via signature on bills, and we are in the process of implementing the new system.
- 13) ASC management to maintain a listing of the Agency's fixed assets and equipment including description, unique identifier, assigned individual and the program where the asset is used.
 - A. We plan to conduct an internal audit of fixed assets this year and will make sure that LACDMH recommendations are followed.
- 14) Develop a detailed and equitable cost allocation plan.
 - A. We currently have a cost allocation plan in place, and we will revise it to meet the required LACDMH standards.

Continued: ASC TREATMENT GROUP dba ANNE SIPPI CLINIC CONTRACT
COMPLIANCE REVIEW – MENTAL HEALTH SERVICES PROVIDER

- 15) Review FY2004-05 and 2005-06 cost charged to DMH programs to ensure all costs were appropriately allocated and resolve any billing discrepancies with DMH.
 - A. Upon approval of the cost allocation plan by LACDMH, we will review the 2004-2005 and 2005-2006 cost reports to determine any adjustments that need to be made.
- 16) Allocate costs to each program on a monthly basis in accordance with the detailed cost allocation plan.
 - A. We will strive to ensure that costs are allocated on a monthly basis based upon an approved cost allocation method.

Thank you,



Michael Rosberg, PhD
Co-Owner

cc: Chess Brodnick, PhD
Donetta Jackson, MFT
Eric Steinwald, CPA
Dale Fritz, MBA